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The Director of Central Intelligence

Washington, D.C. 20505

National Intelligence Council

NIC No. 05399-85/1  
28 October 1985

MEMORANDUM FOR: See Distribution

FROM: George Kolt  
National Intelligence Officer for Europe

SUBJECT: Warning and Forecast Report for Europe

1. Attached is my report to the DCI based on our meeting held 23 October 1985. If there are any significant amendments or additions you would wish to make, please let me know.

2. Next month's warning meeting will be held 20 November 1985 at 1015 in room 7-E-62, CIA Headquarters. Please have your clearances passed and call [ ] with names of the attendees by noon, 19 November 1985.

3. I also encourage you to phone in suggestions for the agenda and proposals to make opening presentations. It would be helpful to have your comments for the next meeting by Monday, 11 November 1985.

  
George KoltAttachment:  
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NIC No. 05399-85  
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MEMORANDUM FOR: Director of Central Intelligence  
Deputy Director of Central Intelligence

FROM: George Kolt  
National Intelligence Officer for Europe

SUBJECT: October Warning and Forecast Meeting

I. Main Discussion Items

A. Allied views of the Reagan-Gorbachev Summit

1. Discussion. The Allies want the summit to establish a continuing high-level US-Soviet dialogue, to create a public impression that the West is as forthcoming as the USSR in disarmament initiatives and to assure that future talks evolve in ways that take their views into consideration. The Allies also worry that Gorbachev's recent initiatives--old formulas for dividing the alliance and sewing discord within individual countries rather than serious concessions--may eventually have an impact with the Western public. To make a significant public appeal, however, the Soviets need to make a more credible gesture than they have so far. But, to do this, they would have to offer proximate US-Soviet parity in INF without explicit limits on UK and French forces--something Moscow is unlikely to do.

2. Warning Note. The Allies are more concerned about public opinion than about specific agreements emerging from this summit. A Soviet move that goes beyond current posturing and catches the US in an apparently rigid posture might confuse and panic some allied leaders. On the positive side, if the US succeeded in reducing the visibility and centrality of arms talks in the US-Soviet dialogue--as has happened with MBFR--Allied hypersensitivity might decrease.

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**B. Canada: Government Intentions and Performance**

**1. Discussion.** The Mulroney government's performance suggests more problems for US-Canadian relations.

The failure of the government to consolidate its overwhelming mandate from 1984 by building a record of steady leadership gives the opposition opportunities to undermine the Prime Minister. Mulroney thus is wavering on defense policy and on bilateral issues.

- Ottawa's cave-in to opposition and foreign ministry working-level pressures on the Arctic territorial seas issue is a prime example of governmental unsteadiness which undermines tacit agreements serving our mutual security concerns.

The major problem is that Mulroney increasingly will have to react by addressing sensitive bilateral issues--like acid rain, and regulations discouraging US investment in Canada--in an atmosphere controlled by the opposition. Moreover, portions of the bureaucracy, especially in the foreign ministry, are more inclined to ignore US concerns.

**2. Warning Note.** As Ottawa reviews the draft Defense Policy Review, the government will come under increased pressures to reduce or contain increases in the defense budget and to shift resources from its already small role in NATO. Recent proposals to spend nearly \$700 million on an ice-breaker to enforce the Arctic Sea claim--perhaps in place of six badly needed replacement frigates--may be symptomatic of problems likely to surface soon. Talks on NORAD renewal next spring, for example, might lead to renewed Canadian interest in a clause binding both partners to observe the ABM Treaty narrowly-defined.

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## II. Monitoring Items

### A. Italy: The Impacts of the Abbas Affair

1. Discussion. Unless Craxi and Spadolini come to an unlikely reconciliation, whatever government emerges from the present crisis--a four or a five party coalition--is likely to be a caretaker until elections, which are due by 1988 but could come earlier.

Analysts are divided on the likely long term impact on Italian-US relations. Some analysts see the incident as a passing "blip" while others see it as a potential catalyst which will move Italian foreign policy opinion towards a more guarded and prickly attitude toward the US. The strength of the public case against Abbas is an important variable: if emerging evidence proved to a majority of Italians that Abbas was involved in the hijacking from the start, Italian sympathies would swing toward the US position and reduce the strains in bilateral relations.

Several analysts suggested the affair might spur the Italians to rethink their defense posture with more attention to the Eastern Mediterranean where they need US assistance.

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### B. The Dutch INF Decision

1. Discussion. Chances appear very good that the government will announce a decision on 1 November to deploy INF. But underlying intragovernmental differences remain deepseated, the fulfillment of that decision is very problematic, and, in any event the tenor of government thinking is that deployment will not take place until 1988. Further, if Labor forms the government after spring elections, as is possible, it might reverse the decision before actual deployments begin.

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### C. Kyprianou's Problems and the Proximity Talks

1. Discussion. In the run-up to parliamentary elections on 8 December, Greek Cypriots will be too preoccupied with internal struggles to tackle any major new SYG proposals on proximity talks. The Communist-conservative coalition of convenience is determined to

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win a two-thirds majority in parliament in order to call for an early Presidential election and unseat Kyprianou. In that event Kyprianou is likely to turn to the courts to stop the election--thereby challenging the opposition to block all key legislation and dragging out the government crisis. In sum, the Greek Cypriots are in no position to negotiate seriously--and this suits Denktash just fine.

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D. Bulgaria: Leadership Changes

1. Discussion. Bulgaria looks ripe for the first major leadership changes in East Europe during the Gorbachev era. With energy shortages and drought plaguing the economy--and the Soviet Ambassador openly critical of its slipshod products--there are increasing rumors of major personnel shifts in Sofia. Zhivkov, 75 and occasionally giving the impression of being out of touch, made a few ministerial shifts last week to show he is in charge. Soviet party leader Gorbachev stayed for a one day "working visit" after the Warsaw Pact summit in Sofia last week and probably discussed with Zhivkov some of the broad directions in programs and personnel moves to be announced at the Bulgarian party congress next February.

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E. Romania Energy Emergency

1. Discussion. Recent extraordinary moves by Ceausescu to conserve and better allocate scarce energy supplies point to another very grim winter.

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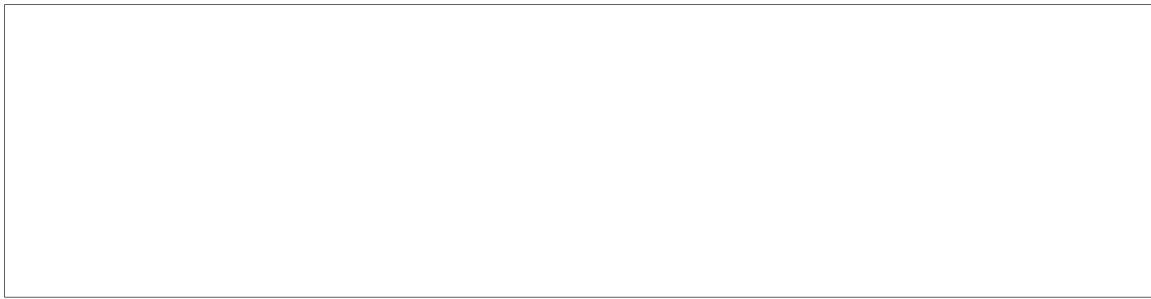
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George Kolt

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